

Budget and Medicaid Update

July 25, 2025

Our Budget Priorities for SNFs

- Quality incentive: 25th percentile
- PDPM transition (had to happen)
 - Blended CMI
 - Hold harmless
- Private room funding
- Capital reimbursement: fair rental value
- Worked with other associations to achieve consensus positions

State Budget – House Bill 96

- Governor DeWine announced his executive budget priorities in early February – Medicaid was not among them
- Executive budget introduced as HB 96 shortly thereafter
- Priorities included child tax credit, funding for Browns stadium, mental health
- Also contained “hospital package” based on increasing provider tax
- Replaced loss of one-time federal revenue (ARPA)

SNFs in Executive Budget

- Addressed PDPM transition
 - Nursing score only
 - Did not include conversion factor
 - Continuation of RUGs through December 31, 2025
 - Phase-in using 1/3 PDPM, 2/3 RUGs January 1-June 30, 2026
 - Phase-in using 2/3 PDPM, 1/3 RUGs throughout FY 2027
 - Full PDPM July 1, 2027
- No change to quality incentive except removed change of ownership language
- No change to private rooms
- No other change to reimbursement formula
- Included funding to increase PNA to \$100 beginning January 2026

Mandamus Case

- Originally filed in February 2024, refiled in July
- Briefing concluded at the end of the year
- Decision still pending
- By the state's estimate, the case is worth \$285 million per year, retroactive to July 1, 2023
- Impact on budget:
 - No one tried to change quality incentive language
 - Legislators aware of case
 - Removed 25th percentile from our lobbying list

House Budget

- Passed April 9
- Capped private rooms at 15,000
- No change to executive language on PDPM
- No other change to reimbursement formula
- Amended statute to raise PNA to \$75
- Added \$110 per treatment add-on for dialysis in SNF

Senate Budget

- Passed June 11
- Left PDPM language largely the same, but added technical amendments (conversion factor, clarification on July 1 CMI)
- Removed House's cap on private rooms
- No other formula changes
- Removed PNA language
- Left dialysis language in

Conference Committee

- Report passed House and Senate June 25
- Senate version on reimbursement issues
- House version on PNA
- Left dialysis language in
- Stop loss/stop gain not included

Overall Budget Picture

- House and Senate both restrained spending below levels proposed by executive
- Senate removed upper income tax bracket
- House limited transfers from HHS Reserve Fund to \$250 million per year
- Senate imposed top-line Medicaid appropriation cuts of 1% in FY 2026 and 1.5% in FY 2027
- Indirect impact on SNFs

Governor's Action

- Signed budget June 30
- 67 line-item vetoes
- PNA language
- Dialysis language
- \$250 million cap on HHS Reserve Fund use
- Random assignment to MCOs

Hospital Package

- Mixture of Medicaid funding increases and reductions
- Overall, increases funding to hospitals
- Linchpin: raise hospital provider tax from 3.4% of hospital revenue to 5.3% in FY 2026 and 5.4% in FY 2027 and after
- All-funds revenue increase for Medicaid budget of \$3.1 billion in FY 2026 and \$3.5 billion in FY 2027
- Subsequent intake based on changes in hospital patient revenue

One Big Beautiful Bill

- Federal budget reconciliation legislation
- Moved on a similar timeline as the state budget
- Passed Congress July 3, signed by President Trump July 4
- Over \$1 trillion in Medicaid spending reductions
- Significantly less federal Medicaid funding for Ohio

Provider Tax Limit

- Freezes provider tax rates (percentage of provider revenue), but grandfathers tax rate increases enacted before OBBS enacted
- Ohio tax increase requires CMS approval
- Different treatment of expansion and non-expansion states
- Starting FFY 2028 (October 1, 2027), 6% maximum tax rate declines by 0.5% each year through FFY 2032, when it reaches 3.5%
- Affects Ohio hospital tax beginning October 1, 2028
- Fiscal impact also depends on increase in hospital revenue over time
- Ohio hospital package affected by OBBS limits on state-directed payments through MCOs

Managed Care Tax Waiver

- Ohio is one of 7 states with waivers of federal requirements for provider taxes to allow charging Medicaid MCOs higher tax rates than non-Medicaid MCOs (\$28 vs. \$1-2 PMPM)
- Most non-Medicaid MCOs exempted from tax
- Estimated all-funds revenue: \$2.5 billion/year
- OBBA cuts off waivers immediately, but allows transition period of up to 3 fiscal years at discretion of HHS Secretary
- CMS proposed rule in May to eliminate waivers but only allow up to two fiscal years, if waiver granted more than 2 years ago
- Ohio will have to address this issue sooner or later

Other Key OBBA Provisions Affecting SNFs

- Moratorium on minimum staffing requirements until 2034; doesn't include facility assessment or payment transparency
- 6-month eligibility renewals for expansion population
- Retroactive coverage reduced to 2 months before application for non-expansion population, 1 month for expansion
- Rural hospital fund
 - Could help Ohio's Medicaid budget
 - SNFs possibly could be included
 - Fund is only 5 years, but overlaps with provider tax reductions
 - Ohio must apply by December 31, 2025
- Moratorium on CMS rule preventing states from making it harder to apply for and retain Medicaid coverage until 2034

Impact of OBBB Changes

- Unless amended in the future, OBBB will significantly reduce federal funding coming to Ohio
- Impact is longer-term, most likely beginning in FY 2029 (next budget)
- Federal administrative decisions will be important
- Various options for responding, which could include reductions in services and rate cuts
- At this time, we do not expect a need to change HB 96, but future budgets will be affected

Impact of Mandamus

- If we prevail, fiscal impact would be more than \$1.1 billion for the biennium
- Includes both retroactive and go-forward payments
- Go-forward payments could be cut off, but would require legislative action
- Legislation would have to open up the quality incentive statute

July 1, 2025, Rates

- Issues with ODM producing rates – [finally out](#) July 22
- Funding level roughly same as July 1, 2024
- All components of rate calculated as before
- RUGs CMI either frozen or calculated using Q4 2024 and Q1 2025
- Quality incentive recalculated using 4-quarter averages from 2024
- 25th percentile and value per point recalculated:
 - 32 points (formerly 28.5)
 - \$1.14 per point (formerly \$1.20)
- Median number of points:
 - July 1, 2025 = 38.25
 - January 1, 2025 = 35.75
 - July 1, 2024 = 34.5
- Occupancy penalty and critical access redetermined
- High-occupancy for bed hold payments [posted](#)

Other Case-Mix Issues

- Low rate for PA1/PA2 residents and exclusion from CMI not changed
- These provisions are in statute and weren't amended by HB 96
- No guidance on determining who is PA1 or PA2 – we advise continuing to use the latest assessment
- OSAs no longer required
- PDPM assessments are all that matter beginning April 1, 2025

Case-Mix Going Forward (Unofficial)

- January 1, 2026
 - 1/3 PDPM, 2/3 RUGs
 - PDPM uses Q2 and Q3 2025
 - RUGs uses January 1, 2025, score (Q2 and Q3 2024) – **goes back from July 1, 2025**
- July 1, 2026
 - 2/3 PDPM, 1/3 RUGs
 - PDPM uses Q4 2025 and Q1 2026
 - RUGs uses January 1, 2025, score
- January 1, 2027
 - 2/3 PDPM, 1/3 RUGs
 - PDPM uses Q2 and Q3 2026
 - RUGs uses January 1, 2025, score
- July 1, 2027
 - 100% PDPM
 - Uses Q4 2026 and Q1 2027
- Link to table:
<http://webdata.ohca.skyoffices.com/webdata/News%20Bites/PDPM%20transition%20table.pdf>

Quality Incentive Going Forward

- As of July 1, 2025:
 - Must have policy for prioritizing private room placement
 - Must participate in satisfaction surveys (re-commencing in August)
- For January 1, 2026, rates, 25th percentile and value per point not recalculated (will occur for July 1, 2026)
- Quality incentive could be affected by subsequent legislation stemming from mandamus decision